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STATE OF MONTANA
DEPARTMENT OF LIVESTOCK
REPORT ON AUDIT
Conducted Under Contract By
Mostad and Jackson, CPA's
Fiscal Year Ended June 30, 1976



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DEPARTMENT OF LIVESTOCK
REPORT ON AUDIT

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OVERVIEW
AUDIT OF THE DEPARTMENT OF LIVESTOCK
JUNE 30, 1976

INTRODUCTION

The audit of the Department of Livestock was a financial compliance audit. The purpose of the audit was to determine whether the financial operations of the Department of Livestock are being properly conducted, whether the financial statements are fairly presented for the audit period, and whether the Department of Livestock has complied with the state laws and regulations. The audit covered fiscal year ended June 30, 1976, and resulted in a qualified opinion on the financial statements. A qualified opinion means that the financial statements do present fairly the financial position, current fund revenues and expenditures, and changes in fund balance, in conformity with generally accepted accounting principles, except for a stated reason. The reason for the qualified opinion is because the Department of Livestock does not maintain formal accounting records for fixed assets. For that reason equipment is not included in the balance sheet.

There are seven recommendations in the audit report. The recommendations were discussed with the chief accountant and during this discussion he concurred with these recommendations, however, on the agency response to Morris Brusett he concurred with three, did not concur with three, and partially concurred with one.

SYNOPSIS OF MAJOR FINDINGS

There are several areas of major findings presented in the audit report. These are listed below.

RECEIVABLES

During our audit of accounts receivables we found \$1,640 of receivables not recorded on the SBAS record which we felt represented unrecorded revenues at that date and recommended that the Department implement procedures to record these receivables on SBAS. Generally accepted accounting principles for governmental agencies state that revenues should be recorded when received except when susceptible to accrual. We feel these receivables were susceptible to accrual and, therefore, should be recorded on the accounting system. We also recommended that the Department of Livestock use a process of aging the accounts receivables. Our recommendation was directed to a written formal aging of accounts receivables and not a visual review as brought out by the chief accountant for the Department of Livestock. The lack of personnel is not an adequate reason for not carrying out this recommendation.

INVENTORIES

We recommended that the Department of Livestock establish a policy of taking an annual inventory of supplies. Again, this recommendation was directed at a written formal inventory of supplies. The chief accountant replied that they already do this but not in a formal documented fashion.

GENERAL

Most of our other comments were directed to procedural and clerical type errors which we found during our examination. Our recommendations were made to correct internal control weaknesses and not necessarily change the accounting system of the Department of Livestock. We still maintain that these weaknesses are there and steps should be taken to correct these weaknesses.

CONCLUSION

In conclusion, our recommendations should be reviewed more in the light of internal control problems and not as criticism directed at the Department of Livestock and constructive changes be reviewed.

STATE OF MONTANA
DEPARTMENT OF LIVESTOCK

REPORT ON AUDIT

Conducted Under Contract By
Mostad and Jackson, CPA's

Fiscal Year Ended June 30, 1976

STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

January 26, 1977

DEPUTY LEGISLATIVE AUDITORS:

JOSEPH J. CALNAN
ADMINISTRATION AND
PROGRAM AUDITS

ELLEN FEAVER
FINANCIAL-COMPLIANCE AND
CONTRACTED AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the
Department of Livestock for the year ended June 30, 1976.

The audit was conducted by Mostad and Jackson, Certified
Public Accountants under a contract between the firm and our
office. The comments and recommendations contained in this
report represent the views of the firm and not necessarily
the Legislative Auditor.

The agency's written response to the report recommenda-
tions is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Morris L. Brusett".

Morris L. Brusett, C.P.A.
Legislative Auditor

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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Department of Livestock is included in the back of this report.

	<u>Page</u>
Implement procedures to put existing receivable amounts on S.B.A.S.	7
<u>Agency Reply:</u> Do not concur. See page 25.	
Use the process of ageing the accounts receivable.	7
<u>Agency Reply:</u> Do not concur. See page 25.	
Establish a policy of taking an annual inventory of supplies.	8
<u>Agency Reply:</u> Concur. The department currently does this, but not in a formal documented fashion. See page 26.	
Correct plant, property, and equipment records for all equipment that cannot be found and that identification numbers not visible on equipment be restored.	8
<u>Agency Reply:</u> Concur. See page 26.	
A procedure of using receiving reports be established.	9
<u>Agency Reply:</u> Do not concur. See page 26.	
A procedure of cancellation of invoices be established.	9
<u>Agency Reply:</u> Concur. The department currently has a procedure to cancel invoices. See page 26.	
Current administrative methods be used for warrant transfers and purchase orders.	9
<u>Agency Reply:</u> Partially concur. See page 26.	

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Department of Livestock and related statements of operations and changes in fund balance for the year ended June 30, 1976. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Department of Livestock does not maintain formal accounting records for fixed assets: therefore, equipment is not included in the accompanying balance sheet.

Except for the above described omission, in our opinion, the aforementioned financial statements which we examined present fairly the financial position of the Department of Livestock at June 30, 1976 and the results of its operations and changes in fund balance for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

M. Postal & Jackson

DEPARTMENT OF LIVESTOCK

Auditor's Comments

Introduction

The primary purpose of our examination of the financial statements of the various funds of the Department of Livestock for the period ended June 30, 1976, was to enable us to form an opinion as to the financial position of the various funds of the Department and the results of operations of such funds for the period then ended. As a part of our examination, we reviewed and tested the Department's system of internal accounting control to the extent considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of the evaluation was to establish a basis for reliance thereon in determining the nature, timing, and extent of auditing procedures that were necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide a reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal

accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements; further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the Department of Livestock's system of internal accounting control for the year ended June 30, 1976, would not necessarily disclose all weaknesses in the system.

COMMENTS

GENERAL

The Department of Livestock consists of two major divisions; the Animal Health Division is responsible for control and eradication of animal diseases, and the prevention of the transmission of animal diseases to humans; the Brands-Enforcement Division is responsible for the protection of the livestock industry from theft and predatory animals. The goal is to protect Montana's livestock industry from disease, theft, and predation; assure citizens safe, nutritious food of animal origin.

CENTRALIZED SERVICES

This program is responsible for the functions of accounting, budgeting, payroll, personnel, purchasing, and general services for the Department. The goal of the program is to provide timely, effective, and economical central support to the two divisions of the Department.

ANIMAL HEALTH ADMINISTRATION

This program is responsible for providing central direction to the programs within the Animal Health Division (Diagnostic Laboratory program, Disease Control program, and Milk & Egg program), maintaining a working liaison with Montana veterinarians, livestock producers, and Animal Health officers of other states and the Federal Government; and keeping informed about state and national livestock disease trends.

DIAGNOSTIC LABORATORY

The Diagnostic Laboratory program is responsible for providing expertise to the Department in virology, bacteriology, pathology, parasitology, and media preparation. The program provides scientific and technological support to the other programs in the Department in diagnosis and control of animal disease.

DISEASE CONTROL

The Disease Control program is charged with the day-to-day prevention, control, and eradication of animal diseases in Montana, safeguarding the health and food production capacity of the State's livestock and poultry, and preventing the transmission of animal diseases to man. The program is responsible for slaughter of diseased livestock, payment of indemnity claims on livestock ordered killed; enforcement of sanitary standards and inspection of animals in livestock markets, garbage cooking establishments, and rendering plants; and administration of the poultry improvement program.

MILK & EGG

Responsibilities of this program are to maintain inspection and testing programs to assure consumers safe milk, milk products, and eggs. The inspection programs are carried out in cooperation with the U.S. Department of Agriculture and the U.S. Public Health Service.

INSPECTION & CONTROL

This program is responsible for reducing the loss of livestock from theft, fraud, or other unlawful practices; recommending legis-

lation and instituting regulations that will protect the livestock industry; and governing and regulating the recording and use of livestock brands and the filing of security interests.

PREDATORY ANIMAL CONTROL

This program is responsible for the control of predatory animals capable of injuring or killing domestic livestock and poultry, and has the goal of reducing losses to the livestock industry due to predators. The program cooperates with the Department of Fish & Game, the U.S. Bureau of Sport Fisheries and Wildlife, and county authorities.

RABIES AND RODENT CONTROL

This program is responsible for controlling and eliminating, if possible, rabies incidents; and for controlling noxious rodent populations in Montana. The goals are to prevent the exposure of domestic animals and man from rabid predatory animals; and to coordinate a State program for the control of noxious rodents specific to the needs of each county where said species are destroying food, fiber or natural resources.

RECEIVABLES

The Department of Livestock, by the use of the Diagnostic Lab at Bozeman, generates accounts receivable for the services performed by the Lab. The amounts receivable are posted to ledger cards at the Helena office and, in turn, when payment is received the ledger card is credited for the amount. Statements for the receivables are sent out on the twentieth of every month for billing purposes. A review of the receivables provided assurances that the outstanding balances will be collected in the future. As of June 30, 1976, \$6,845 remained outstanding. This amount is not recorded in S.B.A.S. records and it represents unrecorded revenues at that date. The Department should implement procedures to record the receivables in S.B.A.S. to provide adequate disclosure and to ensure that all revenues are recorded in the right fiscal year.

A review of the ledgers also indicated that the receivables outstanding ranged from one to six months old. Procedures for ageing the receivables have not been established within the Department at the current time. The use of ageing the receivables would provide a better means of control over the accounts and it would also enable the Department to spot troublesome accounts from which payments are more difficult to obtain.

Recommendation

We recommend that:

- 1) The Department of Livestock implement procedures to put existing receivable amounts on S.B.A.S.
- 2) The Department of Livestock use the process of ageing the accounts receivable.

INVENTORIES

The Department of Livestock is currently expensing all goods or supplies that are purchased. At June 30, 1976 approximately \$6,000 worth of supplies, that had previously been expensed, were stored at Helena and \$10,000 worth of supplies, also expensed, were stored at Bozeman. No annual inventory is being taken on these goods by the Department. An annual inventory of supplies stored at Helena and Bozeman would facilitate additional internal control over these supplies. Also inventory procedures would provide a means of record of supplies on hand which could be used as a basis for further purchases. In addition, an inventory would disclose any major discrepancies that would occur which could not be explained.

Recommendation

We recommend that the Department of Livestock establish a policy of taking an annual inventory of supplies.

PLANT, PROPERTY, AND EQUIPMENT

The Department of Livestock is currently maintaining equipment records that show description, purchase date, purchase amount, and identification number. A test of these records revealed that items listed could not be found and that identification numbers were worn off of some of the items.

Recommendation

We recommend that the Department of Livestock correct plant, property, and equipment records for all equipment that cannot be found and that identification numbers not visible on equipment be restored.

DISBURSEMENTS AND EXPENDITURES

During our examination of cash disbursements and expenditures clerical and procedural errors were found. The department does not presently use receiving reports to verify supplies and goods that are purchased and received. In some cases vendor packing slips were being used to check accuracy and amounts. The use of receiving reports would provide a means of verification of items on invoices that are to be paid. In addition, receiving reports could be used as an inventory tool for verification of goods received.

Although most of the invoices accompany the warrant transfer to accounting for payment there are no formal procedures for cancellation of the invoice once it has been approved for payment. A procedure of this nature would insure that double payments are not made on invoices.

Two of the transfer warrant claims tested had purchase orders issued after the purchase had been made. Proper authorization was given but the purchase order should have been made before the purchase was made.

Recommendation

We recommend that:

- 1) A procedure of using receiving reports be established.
- 2) A procedure of cancellation of invoices be established.
- 3) Current administrative methods be used for warrant transfers and purchase orders.

FINANCIAL STATEMENTS

DEPARTMENT OF LIVESTOCK
ALL FUNDS
BALANCE SHEET
JUNE 30, 1976

	GENERAL FUND	INSPECTION AND CONTROL ERA	ANIMAL HEALTH EMERGENCY ERA	ANIMAL HEALTH ERA
<u>ASSETS</u>				
Cash on Hand	\$ 0	\$ 175	\$ 0	\$ 0
Cash in Treasury	0	327,927	11,304	200,145
Accrual Expenditures	29,494	0	0	0
Accounts Receivable Dishonored Checks	0	77	0	0
Securities	0	150,000	0	0
Short Term Investments	0	172,115	83,061	0
TOTAL ASSETS	\$ 29,494	\$ 650,294	\$ 94,365	\$ 200,145
<u>LIABILITIES RESERVES AND FUND BALANCE</u>				
Reserve For:				
Accrued Support Expenditures	\$ 29,494	\$ 53,695	\$ 175	\$ 10,003
Bond Discounts	0	1,836	0	0
Stale Dated Warrants	0	93	0	55
Uncleared Collections	0	0	0	0
Property Held in Trust	0	0	0	0
Fund Balances June 30, 1976	0	594,670	94,190	190,087
TOTAL LIABILITIES RESERVES AND FUND BALANCES	\$ 29,494	\$ 650,294	\$ 94,365	\$ 200,145

The accompanying notes are an integral part of these financial statements.

Continued

DEPARTMENT OF LIVESTOCK
ALL FUNDS
BALANCE SHEET
JUNE 30, 1976

	PORK RESEARCH AND MARKET GRANTS FPRA	LIVESTOCK SANITARY BOARD FPRA	DEPARTMENT OF LIVESTOCK FPGCA	STOCK ESTRAY AA
<u>ASSETS</u>				
Cash on Hand	\$ 0	\$ 0	\$ 0	\$ 0
Cash in Treasury	4,680	13,775	295	53,136
Accrual Expenditures	0	0	0	0
Accounts Receivable	0	0	0	0
Dishonored Checks	0	0	0	0
Securities	0	0	0	0
Short Term Investments	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$ 4,680	\$ 13,775	\$ 295	\$ 53,136
	<u>4,680</u>	<u>13,775</u>	<u>295</u>	<u>53,136</u>
<u>LIABILITIES RESERVES AND FUND BALANCE</u>				
Reserve For:				
Accrued Support Expenditures	\$ 448	\$ 2,220	\$ 0	\$ 0
Bond Discounts	0	0	0	0
Stale Dated Warrants	0	0	0	1,379
Uncleared Collections	0	0	295	0
Property Held in Trust				53,136
Fund Balances June 30, 1976	<u>4,232</u>	<u>11,555</u>	<u>0</u>	<u>(1,379)</u>
	4,232	11,555	0	(1,379)
TOTAL LIABILITIES RESERVES AND FUND BALANCES	\$ 4,680	\$ 13,775	\$ 295	\$ 53,136
	<u>4,680</u>	<u>13,775</u>	<u>295</u>	<u>53,136</u>

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF LIVESTOCK
ALL FUNDS
STATEMENT OF REVENUE COMPARED TO REVENUE ESTIMATES
JUNE 30, 1976

REVENUE CATEGORY	GENERAL FUND		EARMARKED REVENUE FUND	
	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>
License and Permits				
Agriculture and Livestock	\$ 5,000	\$6,250	\$ 57,000	\$ 61,807
Livestock Sanitary	3,500	3,056		
Taxes				
Livestock			938,000	950,006
Service Fees				
Livestock Inspection			454,300	501,352
Investment Earnings				
Interest Income			15,000	27,761
Loss on Sale of Investments				(14,370)
Fines			300	873
Reimbursements				
Miscellaneous				
Sale of Documents, Merchandise, and Property			400	650
Documents and Merchandise			400	289
Stray Stock, Furs, and General Fixed Assets			39,000	98,310
Federal Grants				
Income Collections and Transfers				
Industrial Accident Dividends				3,819
Total	\$ 8,500	\$9,306	\$1,504,400	\$1,630,497

The accompanying notes are an integral part of these financial statements.

Continued

DEPARTMENT OF LIVESTOCK
ALL FUNDS
STATEMENT OF REVENUE COMPARED TO REVENUE ESTIMATES
JUNE 30, 1976

REVENUE CATEGORY	FEDERAL AND PRIVATE REVENUE FUND		TOTAL	
	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>
License and Permits				
Agriculture and Livestock	\$	\$	\$ 62,000	\$ 68,057
Livestock Sanitary			3,500	3,056
Taxes				
Livestock			938,000	950,006
Service Fees				
Livestock Inspection			454,300	501,352
Investment Earnings				
Interest Income			15,000	27,761
Loss on Sale of Investments				(14,370)
Fines			300	873
Reimbursements	9,000	9,790	9,000	9,790
Miscellaneous			400	650
Sale of Documents, Merchandise, and Property				
Documents and Merchandise			400	289
Stray Stock, Furs, and General Fixed Assets			39,000	98,310
Federal Grants		54,180		54,180
Income Collections and Transfers				
Industrial Accident Dividends				3,819
Total	<u>\$9,000</u>	<u>\$63,970</u>	<u>\$1,521,900</u>	<u>\$1,703,773</u>

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF LIVESTOCK
ALL FUNDS
Statement of Changes in Fund Balances
June 30, 1976

	GENERAL FUND	INSPECTION AND CONTROL ERA	ANIMAL HEALTH EMERGENCY ERA	ANIMAL HEALTH ERA
Fund Balances July 1, 1975	\$ 0	\$ 699,222	\$ 136,891	\$ 217,316
<u>Receipts & Additions</u>				
Appropriations	386,309	0	0	0
Revenues	9,306	1,129,991	0	484,278
Income	23	2,546	0	1,273
Prior Year Expenditure Adjustment	0	0	0	0
Interest Income	0	20,955	6,806	0
Prior Year Revenue Adjustment	0	0	5	0
	<u>\$ 395,638</u>	<u>\$1,852,714</u>	<u>\$ 143,702</u>	<u>\$ 702,867</u>
<u>Deduction</u>				
Expenditures	\$ 340,048	\$1,254,887	\$ 35,142	\$ 511,306
Reversions	55,590	0	0	0
Prior Year Expenditure Adjustment	0	2,115	0	1,474
Revenue Refunds	0	1,002	0	0
Prior Year Revenue Adjustment	0	40	0	0
Loss on Sales of Investments	0	0	14,370	0
	<u>\$ 395,638</u>	<u>\$1,258,044</u>	<u>\$ 49,512</u>	<u>\$ 512,780</u>
Fund Balance June 30, 1976	<u>\$ 0</u>	<u>\$ 594,670</u>	<u>\$ 94,190</u>	<u>\$ 190,087</u>

The accompanying notes are an integral part of these financial statements.

Continued

DEPARTMENT OF LIVESTOCK
ALL FUNDS
Statement of Changes in Fund Balances
June 30, 1976

	PORK RESEARCH AND MARKETING GRANTS FPRA	LIVESTOCK SANITARY BOARD FPRA	DEPARTMENT OF LIVESTOCK FPGCA	STOCK ESTRAY AA
Fund Balances July 1, 1975	\$ 0	\$ 14,958	\$ 0	\$ (1,379)
<u>Receipts & Additions</u>				
Appropriations	0	0	0	0
Revenues	20,642	9,790	0	0
Income	0	33,538	0	0
Prior Year Expenditure Adjustment	0	0	0	0
Interest Income	0	0	0	0
Prior Year Revenue Adjustment	0	0	0	0
	<u>20,642</u>	<u>58,286</u>	<u>0</u>	<u>0</u>
	\$ 20,642	\$ 58,286	\$ 0	\$ (1,379)
<u>Deduction</u>				
Expenditures	\$ 16,143	\$ 45,093	\$ 0	\$ 0
Reversions	0	0	0	0
Prior Year Expenditure Adjustment	0	0	0	0
Revenue Refunds	267	0	0	0
Prior Year Revenue Adjustment	0	1,638	0	0
Loss on Sales of Investments	0	0	0	0
	<u>16,410</u>	<u>46,731</u>	<u>0</u>	<u>0</u>
	\$ 16,410	\$ 46,731	\$ 0	\$ 0
Fund Balance June 30, 1976	<u>4,232</u>	<u>11,555</u>	<u>0</u>	<u>(1,379)</u>
	\$ 4,232	\$ 11,555	\$ 0	\$ (1,379)

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF LIVESTOCK
ALL FUNDS
Statement of Support Expenditures Compared with Appropriations
For the Year Ended June 30, 1976

	<u>TOTAL AVAILABLE</u>	<u>EXPENDITURES</u>	<u>UNEXPENDED BALANCE</u>
<u>GENERAL FUND</u>			
Central Services	\$ 11,423	\$ 9,375	\$ 2,048
Animal Health Administration	27,408	27,282	126
Diagnostic Laboratory	149,014	127,221	21,793
Milk and Egg	133,379	121,630	11,749
Rabies and Rodent	<u>65,085</u>	<u>54,540</u>	<u>10,545</u>
TOTAL	\$ <u>386,309</u>	\$ <u>340,048</u>	\$ <u>46,261</u>
<u>FEDERAL FUNDS</u>			
Central Services	\$ 40,000	\$ 16,143	\$ 23,857
Milk and Egg	10,330	10,287	43
Inspection and Control	<u>1,973</u>	<u>0</u>	<u>1,973</u>
TOTAL	\$ <u>52,303</u>	\$ <u>26,430</u>	\$ <u>25,873</u>
<u>CETA FUNDS</u>			
Disease Control	\$ <u>39,702</u>	\$ <u>34,806</u>	\$ <u>4,896</u>
TOTAL	\$ <u>39,702</u>	\$ <u>34,806</u>	\$ <u>4,896</u>
<u>PRIVATE FUNDS</u>			
Central Services	\$ 100,787	\$ 100,657	\$ 130
Animal Health Administration	31,503	31,271	232
Diagnostic Laboratory	151,870	151,505	365
Disease Control	375,207	315,966	59,241
Inspection and Control	1,052,122	996,894	55,228
Predatory Animal Control	<u>207,393</u>	<u>205,042</u>	<u>2,351</u>
TOTAL	\$ <u>1,918,882</u>	\$ <u>1,801,335</u>	\$ <u>117,547</u>
TOTAL ALL SUPPORT EXPENDITURES COMPARED WITH APPROPRIATIONS	<u>\$2,397,196</u>	<u>\$2,202,619</u>	<u>\$ 194,577</u>

The accompanying notes are an integral
part of these financial statements.

DEPARTMENT OF LIVESTOCK
ALL FUNDS
Statements of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>CETA FUNDS</u>	<u>PRIVATE FUNDS</u>
<u>CENTRALIZED SERVICES PROGRAM</u>				
Salaries	\$ 3,401	\$ 60		\$ 75,436
Employee Benefits	441			9,639
Contracted Services	383	16,083		191
Supplies & Materials	1,621			3,719
Communications	1,113			8,196
Travel	43			50
Rent	2,303			629
Repair & Maintenance				575
Other Expenses	70			221
Equipment				2,001
TOTAL	\$ <u>9,375</u>	\$ <u>16,143</u>		\$ <u>100,657</u>

ANIMAL HEALTH PROGRAM

Salaries	\$ 19,170			\$ 20,699
Other Compensation	494			775
Employee Benefits	2,245			2,336
Contracted Services	594			788
Supplies & Materials	190			316
Communications	2,515			2,136
Travel	2,014			3,828
Rent				61
Utilities				25
Repair & Maintenance	35			
Other Expenses	25			307
TOTAL	\$ <u>27,282</u>			\$ <u>31,271</u>

The accompanying notes are an integral
part of these financial statements.
(Continued)

DEPARTMENT OF LIVESTOCK
ALL FUNDS
Statements of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>CETA FUNDS</u>	<u>PRIVATE FUNDS</u>
<u>DIAGNOSTIC LABORATORY PROGRAM</u>				
Salaries	\$ 85,513			\$ 100,603
Employee Benefits	10,607			13,405
Contracted Services	7,753			5,280
Supplies & Materials	4,262			11,022
Communications	1,823			2,696
Travel	1,308			712
Rent	23			212
Utilities	1,878			8,787
Repair & Maintenance	2,597			5,579
Other Expenses	567			1,212
Goods Purchased for Resale				448
Equipment	<u>10,890</u>	<u> </u>	<u> </u>	<u>1,549</u>
TOTAL	\$ <u>127,221</u>	<u> </u>	<u> </u>	\$ <u>151,505</u>
<u>DISEASE CONTROL PROGRAM</u>				
Salaries			\$ 31,019	\$ 182,516
Other Compensation				256
Employee Benefits			3,787	19,365
Contracted Services				27,890
Supplies & Materials				13,499
Communications				3,496
Travel				33,706
Rent				485
Repair & Maintenance				743
Other Expenses				354
Equipment				4,306
Benefits & Claims	<u> </u>	<u> </u>	<u> </u>	<u>29,350</u>
TOTAL	<u> </u>	<u> </u>	\$ <u>34,806</u>	\$ <u>315,966</u>

The accompanying notes are an integral
part of these financial statements.
(Continued)

DEPARTMENT OF LIVESTOCK
ALL FUNDS
Statements of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>CETA FUNDS</u>	<u>PRIVATE FUNDS</u>
<u>MILK AND EGG PROGRAM</u>				
Salaries	\$ 89,797	\$		
Other Compensation		337		
Employee Benefits	11,678			
Contracted Services	576	166		
Supplies & Materials	2,845	1,566		
Communication	273	1,078		
Travel	11,352	6,640		
Rent	300			
Repair & Maintenance	710	418		
Other Expenses	47	82		
Equipment	<u>4,052</u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ <u>121,630</u>	\$ <u>10,287</u>	<u> </u>	<u> </u>
<u>INSPECTION AND CONTROL</u>				
Salaries				\$ 721,202
Other Compensation				1,813
Employee Benefits				93,849
Contracted Services				13,044
Supplies & Materials				26,569
Communications				24,271
Travel				101,270
Rent				825
Utilities				745
Repair & Maintenance				4,354
Other Expenses				4,744
Equipment	<u> </u>	<u> </u>	<u> </u>	<u>4,208</u>
TOTAL	<u> </u>	<u> </u>	<u> </u>	\$ <u>996,894</u>

The accompanying notes are an integral
part of these financial statements.
(Continued)

DEPARTMENT OF LIVESTOCK
ALL FUNDS
Statements of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>CETA FUNDS</u>	<u>PRIVATE FUNDS</u>
 <u>PREDATORY ANIMAL CONTROL PROGRAM</u>				
Salaries				\$ 56,860
Employee Benefits				7,496
Contracted Services				106,171
Supplies & Materials				4,051
Communications				2,038
Travel				16,356
Rent				14
Repair & Maintenance				10,486
Other Expenses				852
Equipment				718
TOTAL				\$ 205,042
 <u>RABIES & RODENT CONTROL PROGRAM</u>				
Salaries	\$ 27,376			
Employee Benefits	3,616			
Contracted Services	3,794			
Supplies & Materials	5,069			
Communications	820			
Travel	10,460			
Rent	291			
Repair & Maintenance	9			
Other Expenses	654			
Equipment	2,451			
TOTAL	\$ 54,540			
 TOTAL ALL FUNDS AND PROGRAMS	 <u>\$ 340,048</u>	 <u>\$ 26,430</u>	 <u>\$ 34,806</u>	 <u>\$1,801,335</u>

The accompanying notes are an integral
part of these financial statements.

DEPARTMENT OF LIVESTOCK

Notes to the Financial Statements For the Fiscal Year Ended June 30, 1976

Summary of Significant Accounting Policies

The accounting policies of the Department of Livestock conform to generally accepted accounting principles as applicable to governmental units except for the account not on the Statewide Budgeting and Accounting System. Following is a summary of the significant policies.

Basis of Accounting

The modified accrual basis of accounting is followed for all funds. Under this method, expenditures are recorded when the liability is incurred and revenues are recorded when received in cash, unless susceptible to accrual; i.e., measurable and available to finance the department's operations, or of a material amount and not received at the normal time of receipt.

Inventories

The supplies used by the various programs are expensed as incurred and, consequently, there is no formal inventory of supplies.

General Fixed Assets and Depreciation

General fixed assets are recorded as expenditures in the various funds at the time of purchase. Such assets are not capitalized at cost in a general fixed assets group of accounts, and depreciation is not provided on general fixed assets.

Vacation and Sick Pay

Liabilities incurred because of unused vacation and sick pay by employees are not recorded. The expenditure is recorded when paid. Permanent employees are allowed to accumulate and carry over a maximum of two years vacation into each calendar year. Permanent employees can accumulate an unlimited amount of unused sick leave. Upon termination, permanent employees having unused accumulated vacation and sick leave are paid 100% of unused vacation time and 25% of unused sick leave based upon their current pay rate.

Encumbrances

All funds employ encumbrance accounting under which all commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation. The balances in the reserve for encumbrances account of each fund is included in the accrued support expenditure accounts of each fund.

Appropriations

Appropriations in the general fund and in the federal and private revenue fund are made by the legislature for operating purposes. Expenditures against these appropriations are funded by the corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year end.

Account not on Statewide Budgeting and Accounting System

The Department of Livestock maintains Accounts Receivable outside of S.B.A.S. for laboratory charges at the Bozeman Lab. As of June 30, 1976, the department had \$6,845 in receivables not recorded in S.B.A.S.

Investments

The Department of Livestock maintains investments through the State Board of Investments in the following amounts:

Animal Health Emergency ERA	\$ 83,061
Inspection and Control ERA	<u>172,115</u>
	\$255,176

As of June 30, 1976 the Department of Livestock also had an additional \$150,000 in investments in the following amounts:

Federal Land Bank Securities	\$ 60,000	at 5.375% maturing July 20, 1976
Federal Land Bank Securities	30,000	at 5.125% maturing April 20, 1978
Federal Land Bank Securities	30,000	at 5.000% maturing January 22, 1979
Federal Land Bank Securities	30,000	at 5.000% maturing <u>January 22, 1979</u>
	\$150,000	

The funds received from the maturing Federal Land Bank Securities at July 20, 1976, \$60,000, have been deposited in the State Treasury. During the year an additional \$97,000 in Federal Land Bank Securities were sold creating a net loss on sale of investments of \$14,370.

Stock Estray AA

The Department of Livestock maintains a reserve account (Stock Estray AA) for money that is deposited with the Department for cattle sold through livestock yards across the state. These cattle are not identified at the time of the sale for proper ownership and as such, the money for the sale is held until ownership is established. If legal ownership is not established within three years the money reverts to the Department of Livestock. As of June 30, 1976, \$53,136 was the balance in the fund.

AGENCY REPLY



STATE OF MONTANA
DEPARTMENT OF LIVESTOCK
HELENA, MONTANA 59601

(406) 349-2041



OFFICE OF THE LEGISLATIVE COUNSEL

ADMINISTRATIVE DIVISION

William C. Peterson, DVM

Admission Officer

GRAND LIVESTOCK DIVISION

Timothy J. Graham

Admission Officer

BOARD OF LIVESTOCK

Robert C. Feltman, Miles City

Robert L. DeChamps, Jr., Tongue

Eugene C. Donaldson, Helena

Fred A. Johnston, Great Falls

Vernon V. Kreller, Fishtail

Ralph J. Parker, Fort Shaw

Robert M. Smedley, Turner

January 21, 1977

Morris L. Brusett
Legislative Auditor
Capitol Building
Helena, Montana 59601

MONTANA LEGISLATIVE

Dear Morris:

In reply to the audit report of this agency, I want to point out our policy of doing things in this Department.

The first action we take when an added function, small or large is suggested or contemplated, we ask, is it necessary or just desirable, and if it is necessary, is it necessary enough to warrant the time and effort it will take? By adhering to the above policy, I am proud to say that the accounting section of this department has the same number of personnel as we had prior to reorganization in spite of the added requirements of SBAS, Pork Check Off fees, Laboratory fees and many others. In view of the general concern over the growth of government, both in dollars and personnel, I feel this is important.

Recommendation: The Department of Livestock implement procedures to put existing receivable amounts on SBAS.

Answer: I will need a much clearer explanation of the necessity of this function before I can put it into practice. The next to last sentence in the first paragraph under receivables states in part - "it represents unrecorded revenue at that date". Chapter 2-0240.40 of the SBAS Manual states in part - "revenues are recorded when received in cash." The last sentence in the same paragraph states in part - "to ensure that all revenues are recorded in the right fiscal year." The answer to that seems to me to be that under the SBAS system receivables are not revenue. If it can be shown that this recommendation is a real necessity it will be implemented.

Recommendation: The Department of Livestock use the process of aging the accounts receivable.

Answer: Each month, as we send out the statements, each account is visually reviewed. Each account that has a balance that is over 60 days old is given a reminder either in the form of a hand written note on the statement or in more delinquent cases, a letter is written. We have had no serious problems with collections. It is my opinion that this recommendation may be desirable, but with our limited personnel it is far from necessary.

Recommendation: That the Department of Livestock establish a policy of taking an annual inventory of supplies.

Answer: As explained to the auditor at the time of the audit, we already do this, but not in a formal documented fashion. In the case of printed forms; each March prior to submitting a requisition to the Purchasing Division, we inventory our stock of forms, add last years count to what was received during the year and subtract the current inventory to determine the number of forms used, providing a basis of estimating the next years needs. We use the same system for laboratory supplies. Small items such as pencils, pens, file folders etc., are counted every week or two and a constant quantity is kept on hand. If the audit committee feels that a more formal inventory process is desirable and will outline a definite system, we will do our best to implement their system.

Recommendation: That the Department of Livestock correct plant, property, and equipment records for all equipment that cannot be found and that identification numbers not visible on equipment be restored.

Answer: This recommendation will be carried out when we take our next physical inventory in June, 1977.

Recommendation: A procedure of using receiving reports be established.

Answer: At present the receiving clerk checks merchandise received against the packing slip and sends the packing slip up to the accounting clerk for verification of the invoice. In my opinion this is more efficient than filling out another form.

Recommendation: A procedure of cancellation of invoices be established.

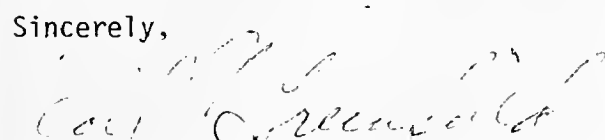
Answer: I wish the auditor could have been a little more specific. At present the original invoice is sent to accounting with the claim. A copy of the invoice is marked with the claim number and filed in the invoice file. What more can be done?

Recommendation: Current administrative methods be used for warrant transfers and purchase orders.

Answer: I don't know what the reference to warrant transfers can be so I cannot comment. In the case of purchase orders; there are times when we just can't wait 3 to 6 weeks for a purchase order to come out of the purchasing division. We never order anything that requires a purchase order without prior approval from the purchasing division.

I will be glad to clarify or go into greater detail on any of the above if it is necessary.

Sincerely,


CECIL C. GREENFIELD
Chief, Centralized Services Bureau

